

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY DOHA IMMEDIATE

USINT BAGHDAD IMMEDIATE

INFO AMEMBASSY JIDDA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

S E C R E T STATE 045225

EXDIS

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: CONSULTATIONS WITH GULF OIL PRODUCERS PRIOR TO
OPEC SUMMIT

1. IN ANTICIPATION OF OPEC SUMMIT MEETING SCHEDULED FOR
MARCH 4, ACTION POSTS SHOULD TAKE EARLY OPPORTUNITY TO
REVIEW USG POSITION AGAIN WITH HOST GOVERNMENT ON CONSUMER/
PRODUCER CONFERENCE. YOU SHOULD DRAW ON SECRETARY'S FEB 3
STATEMENT AND MAKE FOLLOWING POINTS WHICH ARE BASED ON
SECRETARY'S REMARKS BEFORE FEB 15 ARP CHIEF OF MISSION

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MEETING IN RIYADH.

(A) US IS CONTINUING TO WORK HARD WITH OTHER CONSUMER NATIONS TO LAY GROUNDWORK FOR OIL CONSUMER/PRODUCER CONFERENCE. ALTHOUGH PRODUCERS AS A RESULT OF THEIR ACTIONS ON OIL PRICES WERE FIRST TO CONFRONT CONSUMERS WITH A MASSIVE BALANCE OF PAYMENTS PROBLEM, LAST THING US WANTS TO DO IS HAVE CONFRONTATION WITH PRODUCERS WHICH WILL SERVE NO ONE'S INTERESTS. WE HOPE PRODUCERS WILL APPROACH CONFERENCE ON SAME BASIS.

(B) ALL WE ARE ASKING FOR IS THAT OUR RESPECTIVE POSITIONS BE CAREFULLY PREPARED, THAT CONFERENCE AGENDA HAVE CLEAR FOCUS, AND THAT WE HAVE A CLEAR IDEA OF WHAT WE BOTH HOPE

CONFERENCE WILL BE ABLE TO ACCOMPLISH. OUR FEAR HAS BEEN THAT IF WE BOTH GO INTO A CONFERENCE TOO EARLY WITH NEITHER CONSUMERS NOR PRODUCERS WELL PREPARED, RISK OF CONFRONTATION WILL BE INCREASED RATHER THAN DECREASED.

(C) CONSUMERS AND PRODUCERS NOW FIND THEMSELVES AT CROSS-ROADS. WE CAN FORGE NEW COOPERATIVE POLITICAL AND INSTITUTIONAL RELATIONSHIPS OR GO OUR SEPARATE WAYS. WESTERN WORLD IS FACED WITH A MASSIVE CHALLENGE AND WE MUST DEAL WITH IT IN A RESPONSIBLE MANNER. PRICE OF OIL IS GOING TO BE AN ISSUE BUT THERE ARE OTHER QUESTIONS THAT NEED TO BE DISCUSSED AND RESOLVED BEFORE WE SHOULD ADDRESS THE PRICE QUESTION. FOR THE PRODUCERS, WE HAVE TO FIND MEANS TO INVEST THEIR MONIES WHICH MEANS EXAMINING US AND OTHER CONSUMER COUNTRIES' INVESTMENT POLICIES AND HOW WE CAN HELP PRODUCER COUNTRIES FIND THE MOST PRODUCTIVE USE FOR THEIR WEALTH IN THEIR OWN DEVELOPMENT AND REDUCE THEIR DEPENDENCE ON A WASTING ASSET. ALSO, WE NEED TO FIND WAYS IN WHICH WE MAY BOTH COOPERATE IN ASSISTING LDC CONSUMER COUNTRIES.

(D) WHILE PREPARATIONS FOR CONSUMER/PRODUCER CONFERENCE CONTINUE AND WE EXPECT PREPARATORY CONFERENCE WILL TAKE PLACE THIS SPRING, WE WOULD IN MEANTIME WELCOME PRELIMINARY EXCHANGE OF VIEWS WITH EACH OTHER. WE WOULD LIKE TO KNOW WHAT HOST GOVERNMENT WOULD LIKE FROM US IN
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SUCH A CONFERENCE. WHAT IS ITS VISION OF THIS CONFERENCE AND WHAT DOES IT THINK CAN BE ACCOMPLISHED. FOR OUR PART, WE ARE PREPARED TO CONSIDER ALL REASONABLE PROPOSALS. WE ARE, FOR EXAMPLE, WILLING TO DISCUSS LONG TERM OIL SUPPLY RELATIONSHIPS IF PRODUCERS ARE WILLING TO LOWER PRICES. WE ARE NOT OPPOSED TO INDEXING PROVIDED IT IS KEYED TO A BASE PRICE WELL BELOW CURRENT LEVELS.

3. IN SEEKING VIEWS ON WHAT HOST GOVERNMENT BELIEVES
CONFERENCE CAN ACHIEVE, YOU SHOULD MAKE CLEAR THAT THIS
DIALOGUE IS NOT INTENDED AS AN ATTEMPT TO SPLIT OPEC
OR TO TRY AND FIND WHETHER THERE ARE DIFFERENT VIEWS
AMONG OPEC COUNTRIES ON CONSUMER/PRODUCER CONFERENCE.
USG RECOGNIZES RIGHT OF INDIVIDUAL STATES TO HAVE THEIR
OWN PARTICULAR NEEDS AND AIMS. AT SAME TIME, US VALUES
ITS BILATERAL RELATIONSHIPS AND WILL NOT LOSE SIGHT OF
THESE AS WE WORK TOWARD A MULTILATERAL CONSUMER/PRODUCER
CONFERENCE. KISSINGER

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